Service Plan | 2013/14–2015/16

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Map of BC Transit Systems

Message from the Chair to the Minister Responsible

HONOURABLE MARY POLAK
Minister of Transportation and Infrastructure and Minister Responsible for BC Transit

On behalf of the Board of Directors of British Columbia Transit ("BC Transit"), I am pleased to provide our Service Plan for 2013/14 – 2015/16 (the "Service Plan").

BC Transit's focus is on providing efficient and effective services that meet our customers' needs across the many communities we serve in British Columbia. Over the next three years, we will need to balance the growing expectations from our customers with the funding ability of our local government partners. Beyond the challenge of funding growing customer expectations, this service period will offer new opportunities for BC Transit. There will be a continued focus on our people to strengthen our culture, and our relationships. The need to replace a significant portion of our fleet will allow us to trial new technologies that may reduce our carbon footprint. We also look forward to working closely with both the Province and our local government partners to meet the objectives of the *Provincial Transit Plan* and help shape livable communities that make transit an attractive alternative to the single occupant vehicle.

Last year, BC Transit participated in several external reviews related to our governance model, our operations and performance. The most notable was the Independent Review commissioned by the Minister of Transportation and Infrastructure. We are pleased these reviews have confirmed that we have a very good transit system in British Columbia and that our transit systems compare favourably to others in Canada, especially with regard to ridership, service levels and efficiency. However, we recognize that there are areas and opportunities for improvement, and over the coming service plan period we will be working with our partners to make these improvements. Many of the recommendations from the reviews are targeted at strengthening our relationship with local and provincial government partners through greater consultation, collaboration and improved reporting. Implementing these recommendations will be a key focus for 2013/14 and moving forward.

In the upcoming years, our workforce demographic will be changing and it is imperative we remain competitive in order to attract quality staff. Implementation of our new Human Resources Action Plan, which focuses on organizational culture, employee engagement, recruitment, talent management, and labour relations, will assist us in strengthening our most valuable asset – our people.

Infrastructure replacement is also expected to be an important focus for the organization. With the cost of traditional fuels expected to continue to increase, our need to replace a significant portion of our fleet offers an opportunity for us to test new technologies. For example, BC Transit will be purchasing its first compressed natural gas buses, which are expected to help us decrease our carbon footprint and make the organization less reliant on volatile diesel fuel markets.

This Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Service Plan is consistent with the B.C. government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of December 31, 2012 have been considered in preparing the plan. The performance measures presented are consistent with BC Transit's mandate and goals, and focus on aspects critical to the organization's performance.

The targets in this plan have been determined based on an assessment of BC Transit's operating environment, forecast conditions, risk assessment and past performance. BC Transit looks forward to delivering on those targets and continuing to demonstrate our value in the years ahead.

Kevin Mahoney
Chair, Board of Directors

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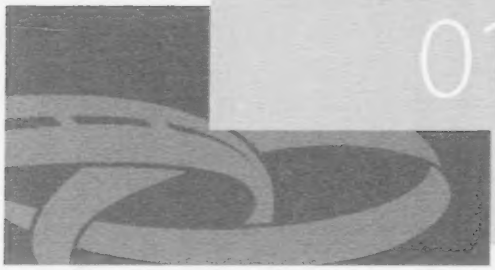


01 Organizational Overview

Legislated Mandate

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation across British Columbia with the exception of those areas serviced by TransLink (Metro Vancouver). More than 1.5 million British Columbians in over 130 communities across the province rely on BC Transit for local and regional transit services.

According to the *British Columbia Transit Act* (Section 3.1), BC Transit has a mandate to:

> "... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."

BC Transit's activities include planning, financial management, marketing, asset management, supply chain management, the provision of safety and human resources expertise and contracting for the operation of transit services. BC Transit also operates the Victoria Regional conventional transit system.

The funding of transit service is provided by customer fares and through a partnership of local governments and the Province through BC Transit.

BC Transit's corporate office is located in Victoria, British Columbia.

Vision, Mission and Values

In 2011/12, in participation with its staff, BC Transit refreshed its vision, mission and values to better connect with the objectives of its customers, government stakeholders, and operational partners.

OUR VISION

To connect people and communities to a more sustainable future.

OUR MISSION

Through the strength of our people and partners, we provide safe, effective, and efficient customer-focused transportation solutions.

OUR VALUES

Safety – We will ensure the safety of our employees, customers and transit systems.

Customer Service – We will work with our customers to meet their needs and exceed their expectations.

Sustainability – We will continuously improve and be accountable for our financial, environmental and social results.

Integrity – As stewards of public resources, we will use our assets prudently and conduct ourselves honestly and respectfully.

Innovation – We will pursue opportunities to enhance value for our customers.

Collaboration – We will cultivate strong partnerships, community connections and links to other types of travel.

Benefit of Services to British Columbia

BC Transit connects people, communities, and businesses across the province through cost-effective, sustainable public transit. These services contribute to government objectives and deliver public benefits in four key areas:

- Contributing to the economic, social and environmental sustainability of the province's communities through efficient and effective public transit.
- Increasing the mobility of the aging population and providing improved transit to support aging in place.
- Supporting rural and First Nations communities by linking them to regional services.
- Supporting the achievement of climate change initiative goals.

To ensure the continued delivery of these benefits, the following five long-term objectives form the foundation of the *BC Transit Strategic Plan* and are used to guide business activities:

- **Develop Financial Sustainability** – Ensure the long term viability of transit by systematically renewing and revising revenue sources, structures and internal processes.
- **Deliver Operational Excellence** – Deliver safe, reliable, easy to use services that continuously improve through active public engagement.
- **Support and Shape Livable Communities** – Encourage transit-supportive community planning and development to facilitate movements by walking, cycling and transit.
- **Change the Perception of Transit** – Target transit messaging and advocacy to build public support and attract customers.
- **Strengthen our People and Partnerships** – Create an adaptable, socially responsible organization that lives its values, develops its employees and partnerships, and attracts new people and opportunities.

These objectives frame the strategies and initiatives for this Service Plan.

Partners

BC Transit works with its funding partners, the Province and local governments, to deliver transit services in communities throughout British Columbia. Stakeholders include customers, local governments, operating companies, First Nations communities, health authorities, post-secondary institutions, major employers, school districts, resident's associations, recreational facilities and others.

In the Capital Regional District, BC Transit operates the regional conventional transit system and contracts the service delivery of custom transit. The governance is set out in the *BC Transit Act* and is overseen by the Victoria Regional Transit Commission (the "Commission"), a board of provincially-appointed local government representatives. The Commission makes decisions regarding service priorities, fares and local taxation for transit purposes.

In other parts of the province, BC Transit contracts service delivery to operators – including local government, not-for-profits, and independent businesses – based on operating agreements. Services are formalized through a Transit Service Agreement and two operating agreements which are approved by local governments and the operator: a Master Operating Agreement (MOA) and an Annual Operating Agreement (AOA). BC Transit oversees operations to ensure service delivery targets are achieved.

Sponsoring local governments provide a portion of funding for transit systems (less provincial funding and passenger fares), approve service levels and fare structures, maintain transit infrastructure such as bus stops, exchanges and shelters, and help promote ridership.

Operators are responsible for delivering services specified in local operating contracts, providing trained staff to meet operating standards for safety and quality, and managing labour relations.

The scope of BC Transit's program as at April 1, 2013:

- Provides services to over 130 communities across B.C. in collaboration with 58 local government partners, including the Victoria Regional Transit Commission and regional hospital districts
- Contracts with 18 private management companies, 5 public operating organizations and 14 non-profit agencies
- Carries more than 51 million passengers annually
- Serves more than 1.5 million people in B.C.
- Operates 81 transit systems—conventional, community, custom and paratransit
- Owns a fleet of 1,007 conventional and double-deck buses and minibuses
- Managing a $231 million annual operating budget
- Managing a $119 million annual capital budget

Communities served by BC Transit are highlighted on the System Map, which can be found on the inside front cover of this report.

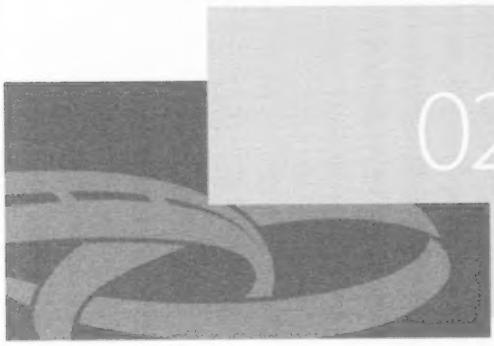
Core Business Areas

BC Transit's core business is the delivery of public transit services. This includes:

- **Conventional transit** which serves the general population in urban settings and offers scheduled bus service that operates on fixed routes. Vehicles are mobility aid accessible and range in size from small to double-deck buses to best match ridership and community needs. In 2011/12, conventional transit services managed by BC Transit carried 49.3 million passengers.
- **Community transit** which uses small to medium sized buses to deliver fixed routes in lower density or suburban markets to feed the mainline bus networks. Ridership for community transit is captured within the conventional transit statistics above.
- **Custom transit** which employs vans, small buses and taxis to deliver dial-a-ride and door-to-door handyDART service for passengers with disabilities who cannot use conventional transit. Contracted taxi supplement and taxi saver (discounted coupon) programs offer additional flexible service to complement custom transit and adapt to customer needs. Custom Transit was used by 1.1 million passengers in 2011/12.
- **Paratransit**, which serves small town, rural and First Nations communities as well as some suburban areas using small and medium sized buses and taxis for flexible routing and schedules. In 2011/12, paratransit served 1.2 million passengers.

In delivering these services, and based on the mandate and roles outlined in the *British Columbia Transit Act*, BC Transit's key business activities include:

- **Funding** 47.9 per cent of transit systems on a corporate-wide basis, with cost-sharing for individual systems ranging from 31.7 per cent to 66.7 per cent based on provincial regulations.
- **Operating** the Victoria Regional Transit system (carrying over 25 million passengers a year).
- **Financial management** to ensure the cost-effective use of provincial funding towards the delivery of public transit services.
- **Contract and risk management** to ensure contract development, oversight, management of insurance, claims and legal activities.
- **Local government relations** support to ensure operational plans meet local needs, integrate services across municipal boundaries, and build collaboration on ways to improve transit service efficiency and effectiveness.
- **Operational planning and scheduling** to ensure transit services can meet the service levels set out in local service agreements at agreed-to funding levels.
- **Operational delivery and performance management** to ensure transit services meet operational goals, provide a safe and convenient service to customers, and quickly resolve any service disruptions or other issues.
- **Transit system planning** to integrate future transit services into community sustainability, meet social needs, and support community growth or development plans.
- **Capital planning** to ensure that the transit fleet and supporting facilities infrastructure can meet existing needs and planned growth and are financially sustainable.
- **Marketing, branding and community relations** to build interest in public transit, increase ridership, and support provincial goals related to carbon reduction (greenhouse gas emissions).
- **Asset management** to specify, test and acquire fixed assets (facilities and equipment) and transit vehicles, set maintenance standards and conduct asset inspections. Asset management employs strategies to ensure the most efficient and sustainable use of the company's assets.
- **Supply chain management** ensures the timely provision of fuel and inventory throughout the province on a cost-effective basis.
- **Safety, training and security** to promote safety initiatives, standardize training and support policies aimed at meeting security and safety standards.
- **Professional services** including environmental, human resources and procurement.



02 Corporate Governance

Board of Directors

BC Transit is governed by a seven member Board of Directors appointed by the Province according to the *British Columbia Transit Act* (the "Act") (Section 4.1). The Act requires four of the Board members to be local government elected representatives. The Board of Directors (the "Board"), through the Chair, reports to the Minister of Transportation and Infrastructure (designated as the Minister responsible for BC Transit).

The Board is governed according to the Province of B.C.'s *Best Practices Guidelines Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations*. The Board also draws its governance principles from these Guidelines.

The members of the Board are:

Mr. Kevin Mahoney (Chair), North Vancouver
Councillor Susan Brice, District of Saanich
Mr. Kelly Cairns, Kelowna
Mr. Bob De Clark, Nanoose Bay
Mayor Mary Sjostrom, City of Quesnel
Mayor Peter Milobar, City of Kamloops
Mayor Carol Hamilton, City of Colwood

The Board is responsible for setting the long-term strategic direction of BC Transit, approving the three-year Service Plan, approving the annual business plan presented by management, allocating the provincial grant to achieve government expectations, approving operating and capital budgets and major capital projects, appointing the Chief Executive Officer, and monitoring the performance of management towards short-term and long-term business and strategic goals.

The Board has one standing committee: the Audit, Finance and Risk Management Committee. The purpose of this committee is to review and oversee financial reporting, internal controls, external audits, and risk management. The Committee is comprised of at least three Board members, elected annually by the Board of Directors. Existing membership is:

Mr. Kelly Cairns, Committee Chair

Mr. Kevin Mahoney

Councillor Susan Brice, District of Saanich

With respect to budget development, corporate budget submissions are approved by the Board and forwarded to the Minister responsible for review and presentation to Treasury Board. Once provincial funding is approved, local funding requirements are submitted for the endorsement of the appropriate local government partner. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation and Infrastructure. This Service Plan and the public transportation budget were tabled in the legislature on Budget Day, February 19, 2013.

More information about BC Transit's corporate governance is available on the company website[1].

Senior Leadership Team

Manuel Achadinha, President and CEO

Mike Davis, Vice President, Operations and COO

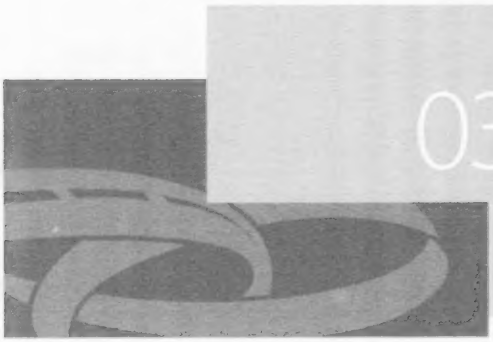
Michael Kohl, Vice President, Finance and CFO

Brian Anderson, Vice President, Business Development and CIO

Aaron Lamb, Executive Director, Asset Management

The senior leadership team takes an inclusive and hands on approach to ensuring the goals and objectives of the Strategic Plan are met.

1 http://www.bctransit.com/corporate/general_info/governance.cfm



03 Strategic Context

Internal Operating Environment

As part of its commitment to the delivery of high quality transit services across the province, BC Transit participated in an independent review of its operations and performance, governance, communications and consultation, and funding relationship with local government partners. The 2012 report by an Independent Review Panel concluded that BC Transit compares favourably to peer transit systems across the country, "particularly in terms of ridership, supply of service, and efficiency of the service provided"[2]. This result reaffirms BC Transit's commitment to providing an efficient and effective transit system for both customers and taxpayers. The report also provided recommendations for improving relationships with provincial and local government partners. As the report identified, BC Transit is already making substantive efforts towards process and communication improvements; BC Transit will continue to work collaboratively with the Province and local government partners to implement positive improvements.

The changing demographics of an aging workforce will create challenges for BC Transit over the next few years, with a large portion of its workforce eligible for retirement by the end of this service period. With an increasingly tight, employee driven labour market, job seekers can be more selective in their choice of organization. As a result, attraction and retention of key personnel is an ongoing risk. In response, BC Transit has developed, and is now implementing, a new Human Resources Action Plan. "*Our Route to Success*" is designed to create a workplace that welcomes employees, motivates them, rewards hard work, and focuses efforts on strategic business priorities. The plan also emphasizes the need for unions and management to work together to build productive and open relationships. The strength of the company will depend on BC Transit's ability to maintain and build a strong team for the future.

2 http://www.th.gov.bc.ca/BC_Transit_Review/index.html

Finally, infrastructure replacement requirements will present both challenges and opportunities during this service period. Over the next five years, 45 per cent of the incumbent fleet requires replacement.

The replacement of such a large portion of the fleet will leverage BC Transit's centralized procurement model to provide economies of scale in bus and major component purchases. It also represents an opportunity to test new fleet technologies that are expected to assist BC Transit in decreasing its carbon footprint. With delivery starting in 2014, BC Transit will be introducing compressed natural gas (CNG) buses to its fleet. Testing these buses will provide valuable operating information that will be used in making future fleet replacement decisions.

External Operating Environment

The post 2008 global economic crisis and resulting recession continues to affect global and local economic conditions. While British Columbia's economic situation has fared slightly better than the national average, only modest growth is forecast for the next three years. Decreased revenue streams have placed significant pressure on funding partners to provide service levels that meet changing ridership demand. One of the largest challenges facing public transit today involves balancing and meeting stakeholder needs and expectations with regard to service levels and financial sustainability. It is imperative that BC Transit find ways to continuously improve the value it provides to customers, taxpayers, and funding partners.

While ridership targets are expected to trend upwards, the rate of increase will be lower than the targets identified within the *Provincial Transit Plan*[3], which was developed during a time of higher service investment and expansion. The *Provincial Transit Plan* set goals to double ridership provincially and increase transit mode share in each of Vancouver, Victoria and the rest of the Province. The results of a recent performance audit completed by the Office of the Auditor General confirms that while BC Transit has made improvements to enhance ridership, there is a shortfall between actual ridership and targets in the *Provincial Transit Plan*. The drive to meet *Provincial Transit Plan* targets must be balanced with the ability to fund necessary service expansion and associated infrastructure. Nevertheless, BC Transit remains committed to the objectives of the *Provincial Transit Plan* and will continue to work closely with provincial and local government partners to maximize the efficiency of existing service levels through service reviews, and strategically prioritizing investment to maximize ridership gains.

3 http://www.th.gov.bc.ca/Transit_Plan/

Over the next three years, operating contracts in 16 regional transit systems will expire. Historically, the competitive contract bid process has resulted in higher contracted costs due to a lack of market competition. Recently, BC Transit revised its contracting strategy and moving forward proposals will be solicited based on longer service periods, fixed cost provisions, and performance monitoring targets. This approach is anticipated to provide more certainty for both local funding partners and operating companies.

Risk and Opportunities

The following table summarizes the significant risks and opportunities that could impact BC Transit's performance during the planning period.

RISKS AND OPPORTUNITIES	IMPACTS	ACTIONS
Financial Sustainability **Risk:** The funding requirements for capital replacement, operating cost inflation and service expansion will continue to put pressure on provincial and local governments to meet customer, provincial government and local government expectations. **Opportunity:** Focus on developing new revenue sources and cost control measures will improve BC Transit's long term efficiency and effectiveness. Work with local government partners to establish fare structures that maximize revenue for the community while still promoting long-term ridership growth.	• Increasing operating costs and infrastructure replacement requirements will place increased pressure on long term financial sustainability. • Funding partners may not be able to fund expansion and in some cases, existing levels of service.	• BC Transit will work closely with the Province of British Columbia and its local government partners to ensure that transit investments best achieve the outcomes desired by both the Province and local partners. • BC Transit will work closely with its local partners to monitor transit system performance. Prudent financial management practices will be used to control costs and ensure performance is maintained in the top 25 per cent of comparable transit systems. • Discussions with provincial and local governments will continue regarding the assessment of alternative funding strategies. • Conduct fare reviews to ensure each local transit system has the right fare product mix, priced to reflect economic factors, the size of the transit system and service levels. • Continue to investigate revenue generating opportunities that can offset provincial and local partners funding requirements.

RISKS AND OPPORTUNITIES	IMPACTS	ACTIONS
Ridership **Risk:** Ongoing economic uncertainty can impact transit programs. Ridership may decline as overall travel usually decreases in a slower economy. **Opportunity:** Planning work undertaken now has the capacity to build future ridership by shaping land use, targeting services and promoting awareness of transit through participatory planning processes.	• Diminished ability to assist the Ministry of Transportation and Infrastructure in meeting *Provincial Transit Plan* ridership targets. • Increased pressure on local governments to fund revenue shortfalls. By virtue of the legislated funding formula, local governments partly fund transit system expenditures with passenger revenues. Accordingly, local governments absorb the risk of ridership revenue shortfalls when they occur.	• BC Transit completed a long term strategic plan - *Shaping our Future* - to identify the requirements of achieving Provincial objectives. To achieve these objectives, BC Transit is investing in new services, new physical and technical infrastructure and is seeking to take a more significant role in influencing urban form. • BC Transit will continue to work with local partners to develop Transit Future Plans to promote more compact sustainable and efficient communities, reduce energy use and greenhouse gas emissions, and support increased population and employment densities near transit hubs and along transit corridors. • For the coming years, it is anticipated that operational reviews will identify opportunities to enhance ridership within the funding provided by this Service Plan. Ridership growth is expected to increase by approximately 2.5 per cent in the first year of this service period, but taper off to between 1 and 1.5 per cent in the following two years due to decreased service expansion.
Operating Company Contracting **Risk:** Over the next three years, operating contracts for 16 regional systems will be expiring. Historically, the competitive contract bid process has not attracted significant competition. **Opportunity:** Contract expiry offers an opportunity to restructure and enhance the contracting framework and related contracts to provide best value for money.	• The combination of small individual contracts and short contract lengths does not present enough value to attract new competitive bids from multiple operators. • Limited market competition has generally resulted in significantly higher contract pricing for similar levels of service, and greater demand from contractors for BC Transit to provide more services to help deal with increasingly complex operational requirements like safety, environmental and legal obligations.	• BC Transit has worked with local government partners and contracted operators to examine changes to the contracting strategy framework. • The contracting strategy framework was tested in consultation with the City of Kamloops in 2012. The results were positive, with multiple bids received from major operating companies. • The new contracting strategy has been further enhanced and formally adopted by BC Transit. The strategy provides a framework to determine the most beneficial methodology for managing expiring contracts. In order to provide more certainty to both local partners and operating companies, new contracts will be structured over longer periods, with fixed cost provisions. Enhanced key performance indicators will also be used to ensure operating company success against specific targets. • BC Transit will review smaller systems to determine if opportunities exist to combine into regional operating agreements. • Local government partners will be invited to participate on Request for Proposal evaluation teams.

RISKS AND OPPORTUNITIES	IMPACTS	ACTIONS
Fuel Pricing **Risk:** Fuel price volatility remains high due to demand in emerging economies, and geopolitical risk in oil producing nations. **Opportunity:** Working within BC Transit's legislative and fiscal constraints to develop reserves and enter into fixed price fuel contracts to mitigate volatility. Furthermore, given 45 per cent of the fleet requires replacement over the next five years, BC Transit will be testing and implementing vehicles that are less reliant on volatile fuel markets.	• The volatility of commodity prices and currency rates, in particular with respect to oil and metals has a direct impact on the cost of providing transit services. Fuel and parts (two items most immediately affected by price fluctuations) comprise 13.5 per cent of BC Transit's costs.	• BC Transit utilizes a fuel price risk management program to mitigate the risk of fuel price volatility. The program includes entering into targeted fixed price supply agreements on a portion of fuel consumption to contain the cost volatility and identifying other initiatives to realize cost savings to market such as large volume bulk purchases to mitigate risk. • In addition, BC Transit will be procuring its first compressed natural gas (CNG) fuelled heavy duty bus fleet, with delivery of the first buses expected in late 2013/14.
Labour Force **Risk:** BC Transit directly administers three collective agreements and some of its contracted operators also utilize unionized labour. Across the province, employees are represented by various unions including Canadian Autoworkers (CAW), Canadian Office & Professional Employees (COPE), and the Canadian Union of Public Employees (CUPE). In the event of labour unrest, the risk of disrupted service exists. In addition, BC Transit's work force is aging. Maintaining service delivery will require recruiting and retaining personnel to meet expected retirements. Attracting and retaining skilled trades and professional staff in an increasingly tight job market represents a significant challenge. **Opportunity**: Proactive human resources strategies undertaken to meet specific, immediate requirements will also have an overall positive impact on long term employee engagement.	• Should job action occur, it can have a direct effect on the perceived reliability of the system, and may result in a loss of ridership as people find alternate modes of transportation. Regaining riders lost during this period can often be challenging, even after job action ends. • Loss of or failure to attract and retain key personnel could have an adverse effect on the ability to deliver the Service Plan. This is especially apparent within northern communities.	• At the time of Service Plan development, BC Transit and CAW Local 333 had reached an agreement for the Victoria Regional Transit System. • BC Transit will continue to negotiate with its other unions to settle collective agreements within the cooperative gains mandate identified by the Province of British Columbia. • BC Transit is implementing its new Human Resources Action Plan which is focused on strengthening culture, succession planning, and building internal capacity through professional development opportunities. • BC Transit will work with selected BC post-secondary institutions to strengthen its ability to recruit new graduates and encourage faculty and students to work on transit related projects. • BC Transit will partner with select trades institutes to attract new program graduates.

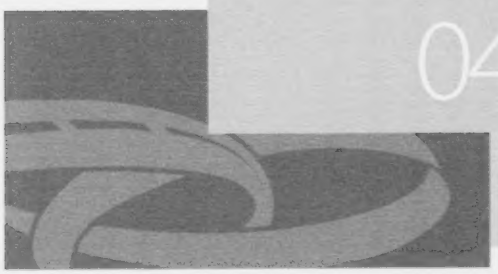
Organizational Capacity

BC Transit's success in meeting the goals and objectives identified within this Service Plan will be largely dependent on three primary factors: the ability to attract and retain qualified trades and professional staff; mitigation of labour disruptions; and continued growth in transit systems during this time of ongoing economic uncertainty.

As mentioned in the above risk section, the ability to attract and retain qualified personnel to meet upcoming retirements and expanding service is an ongoing challenge. Accordingly, BC Transit must pay close attention to its retirement trends and have effective mitigation strategies to manage the recruitment and succession issues that retirements will create. In addition, BC Transit is working with select post-secondary institutions to strengthen its ability to recruit new graduates, and is also enhancing apprenticeship and co-op programs.

Labour disruptions may also have an impact on the ability to meet the targets identified, particularly with regard to ridership, operating costs and the public's perception of transit. Typically, during labour disruptions mode share shifts to alternate means of transportation such as personal automobiles. Regaining this lost ridership can often be a challenge, as the public may perceive the transit system as less reliable. BC Transit remains committed to building stronger relationships between management and unions in order to meet the organization's business goals. At the time of Service Plan development, BC Transit and CAW Local 333 had reached an agreement.

Finally, while public interest for transit remains strong, achieving the targets outlined in this Service Plan require service expansion and additional investment in related infrastructure. Competition for limited operating and capital funding could affect progress against targets related to ridership, service hours, and the perception of transit. BC Transit intends to work closely with its provincial and local government partners to address these concerns. Improved performance monitoring of transit systems will allow limited funds to be allocated in areas that will provide the most benefit; fare reviews will assist partners in increasing or revising revenue streams; and continued improvement of three-year operating and capital budgets will allow local partners to plan more effectively for upcoming investments.



04 Goals, Strategies and Performance Measure Targets

This section sets out BC Transit's goals, strategies, performance measures, and targets for 2013/14 – 2015/16. The five goals are unchanged from the 2012/13 – 2014/15 Service Plan and were first published in *Shaping our Future*, the strategic plan developed in response to the *Provincial Transit Plan*.

Reflecting BC Transit's focus on continuous improvement, some of the strategies, performance measures and targets have been updated to reflect the current business environment. Where applicable, reference is made to measures outlined in the 2012/13 Service Plan and any variance from those projections is explained. New measures and targets are noted as such.

BC Transit recognizes that the ridership targets identified in this Service Plan are less than those in the *Provincial Transit Plan*. While BC Transit remains committed to assisting the Province meet its *Provincial Transit Plan* objectives, these targets were developed in consultation with provincial and local government partners and reflect prevailing local economic conditions. Over the service plan period, BC Transit will continue to work closely with provincial and local government partners to maximize ridership gains in the most appropriate manner.

Several references are made in this section to the BC Transit strategy, *Shaping our Future*, which is available on the corporation's website[4].

4 http://www.bctransit.com/2030

BC Transit Performance Measures Framework 2013/14 – 15/16

GOAL	STRATEGIES	MEASURES	11/12 RESULT	12/13 FORECAST	13/14 TARGET	14/15 TARGET	15/16 TARGET
Goal 1: Develop financial sustainability	Increase non fare and fare based revenue	Operating cost recovery	33.3%	32.1%	30.3%	29.2%	27.9%
	Cost efficiencies	Operating cost per revenue passenger	$3.96	$4.23	$4.41	$4.58	$4.79
Goal 2: Support and shape liveable communities	Integration	Passengers per capita	32.8	30.3	31.0	30.9	31.1
	Planning	Proportion of Transit Future plans completed in major urban centres	29%	50%	79%	93%	100%
Goal 3: Change perception of transit	Promotion	Level of perceived transit service improvement	33%	32%	34%	35%	35%
	Awareness	Brand recognition	26%	28%	29%	30%	32%
	Support	Level of perceived transit importance (on a scale of 1 to 5)	New measure in 13/14		4.45	4.50	4.55
Goal 4: Deliver operational excellence	Safety	Number of passenger injury incidents per million boardings	4.8	4.7	4.7	4.6	4.6
	Service	Revenue passengers (000s)	51,585	50,700	52,360	52,917	53,758
	Effectiveness	Transit service hours (000s)	2,170	2,169	2,248	2,285	2,329
	Performance	Customer satisfaction (on a scale of 1 to 5)	3.66	3.63	3.65	3.67	3.67
Goal 5: Strengthen accountability	Accountability	Carbon intensity per service hour	28.64	28.72	28.68	28.63	28.63
	People	Employee engagement	54%	55%	56%	57%	60%
	Partnerships	Partner satisfaction (on a scale of 1 to 5)	3.22	3.06	3.12	3.18	3.25

GOAL 1: DEVELOP FINANCIAL SUSTAINABILITY

Sustainable long-term revenue sources are fundamental to the ability of BC Transit to deliver on its mandate now and into the future. Since more than two thirds of total revenues come from provincial and local government sources, the viability of transit services is directly linked to continuing financial support from these levels of government. Maintaining government funding support requires continued public demand for transit services (as demonstrated through ridership) as well as the cost-effective use of public monies (as demonstrated through operating and administrative efficiency).

STRATEGIES	MEASURES
The strategic intent is to ensure an affordable public transportation system by: • Renewing and revising fare-based revenue sources and systems to reflect changing ridership patterns and reduce fare evasion. • Developing and taking advantage of non fare-based revenue opportunities. • Improving cost control, communication and monitoring processes to mitigate cost volatility, maximize efficiencies, and reduce costs.	• Operating cost recovery • Operating cost per revenue passenger

	2011/12 ACTUAL	2012/13 FORECAST	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
Operating cost recovery	33.3%	32.1%*	30.3%	29.2%	27.9%
Operating cost per revenue passenger	$3.96	$4.23*	$4.41	$4.58	$4.79

*The 2012/13 forecast for operating cost recovery is higher than the targets identified in the 2013/14 Service Plan and the operating cost per passenger trip is lower. Both are as a result of lower than budgeted operating costs for fuel and maintenance.

Importance of measures

Operating cost recovery is measured by dividing operating revenue by annual operating cost. The ratio indicates the proportion of costs recovered from operating revenue. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. Under the *British Columbia Transit Act*, local governments are responsible for establishing fares and making decisions with respect to trade-offs between fares and property taxes to fund transit service. These decisions can have an impact on the cost recovery ratio as they may reduce operating revenues.

Operating cost per revenue passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Increasing cost per passenger indicates that costs are growing faster than ridership.

Targets shown for both measures reflect anticipated higher operating costs, largely due to labour, fuel and maintenance expenses. Operating cost recovery is also impacted by flat passenger revenue projections, as changes to fare structures are outside of BC Transit's control.

GOAL 2: SUPPORT AND SHAPE LIVABLE COMMUNITIES

BC Transit supports more livable communities, a goal of the Provincial Transit Plan, by encouraging transit-supportive community planning and investments to make it easier to get around by walking, cycling and transit. Greater integration between land use development and transit planning enables greener, sustainable communities and improves the efficiency of transit services and related infrastructure.

STRATEGIES	MEASURES
The strategic intent is to plan for the effective growth of public transit by: • Increasing integration with other types of sustainable travel to enhance transportation options and make it easier for the public to link to transit services. • Working with partners to influence land use development patterns that encourage walking and cycling, and increase the effectiveness of transit. • Identifying and establishing priority corridors for transit.	• Passengers per capita • Proportion of Transit Future plans completed in major urban centres

	2011/12 ACTUAL	2012/13 FORECAST	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
Passengers per capita	32.8	30.3*	31.0	30.9	31.1
Proportion of Transit Future plans completed in major urban centres	29%	50%**	79%	93%	100%

*The 2012/13 forecast is lower than the target identified in the 2012/13 – 2014/15 Service Plan as more up-to-date population statistics were made available.
**The 2012/13 forecast is lower than the target identified in the 2012/13 – 2014/15 Service Plan due to staff turnover and delays in backfilling vacancies.

Importance of measure

Passengers per capita is derived by dividing annual passengers carried by service area population. This provides an indicator of market share (a target set out in the *Provincial Transit Plan*). It also demonstrates the impact of efforts to make transit more accessible through integration with other forms of transportation and to influence land use decisions that support greater transit use (such as densification). Increasing passengers per capita reflects a transit system that is providing greater transportation benefit to the community and is readily accessible to users. The targets shown reflect that ridership is expected to grow at approximately the same rate as population.

Proportion of Transit Future Plans completed in major urban centres measures the completion of planning to align local land use plans, including efforts to increase density and build more pedestrian and cycling paths, with investments in transit services and infrastructure. By 2015/16, all major urban centres (over 25,000 population) are expected to have completed a joint "Transit Future Plan" to ensure alignment between local land use plans and decision making and investment in transit services and infrastructure.

GOAL 3: CHANGE THE PERCEPTION OF TRANSIT

Implicit in goals 1 and 2 is the need for effective communication and marketing. In order to keep existing customers and attract new ones, BC Transit must market its services in competition with private automobiles and reach out to customers in new ways, such as through social media. To help build livable communities, BC Transit must reach out to various community and stakeholder groups to build awareness and support for public transportation as an important part of creating sustainable, green communities.

STRATEGIES	MEASURES
The strategic intent is to build increased support for public transportation by: • Promoting sustainable transportation and its role in building sustainable, livable communities. • Building awareness of BC Transit's services and role as a transportation leader.	• Level of perceived transit service improvement • Brand recognition • Level of perceived importance of transit

	2011/12 ACTUAL	2012/13 FORECAST	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
Level of perceived transit service improvement	33%	32%*	34%	35%	35%
Brand recognition	26%	28%	29%	30%	32%
Level of perceived importance of transit	New Measure		4.45	4.50	4.55

*The 2012/13 forecast is lower than the target identified in the 2012/13 – 2014/15 Service Plan. This is largely a result of escalating job action within the Victoria Regional transit system, and balancing customer demand for service with financial affordability.

Importance of measures

Level of perceived transit service improvement is based on the per cent of customer tracking survey respondents who state that transit has improved over the past year. This provides an indicator of service quality (Goal 4) as well as the effectiveness of marketing and communication activities in making customers aware of new services and local transit initiatives. Targets shown reflect that economic uncertainty makes it more challenging to develop the level of service required to meet customer demand.

Brand recognition is based on the per cent of customer tracking survey respondents who recognize BC Transit's role in the delivery of transit service in their local transit system. This tracks the effectiveness of marketing and communication programs at building awareness of BC Transit and its leadership role in providing sustainable transportation services to British Columbia, since this messaging is embedded in all branding activities. The targets shown reflect ongoing progress in this area, particularly due to the continued roll out of vehicle and signage branding province-wide.

Level of perceived transit importance measures the average rating of customer tracking survey respondents when asked to rate the importance of transit in their community from one ("not at all") to five ("very important"). This is a new measure that tracks whether customers believe transit has a significant role in shaping sustainable and livable communities.

GOAL 4: DELIVER OPERATIONAL EXCELLENCE

The BC Transit business model is based on developing and delivering safe, reliable, easy-to-use services that continuously improve through active engagement with employees, customers and partners. These services must continuously adapt and improve to meet the needs of customers, especially in the midst of continuing social, technological and community development change.

STRATEGIES

The strategic intent is to deliver a safe, reliable and affordable transit experience by:

- Ensuring the safety of employees and customers.
- Monitoring and addressing the service reliability and on-time performance of transit systems.
- Improving customer service and ensuring an effective transit system.

MEASURES

- Number of passenger injury incidents
- Passengers trips
- Transit service hours
- Customer satisfaction

	2011/12 ACTUAL	2012/13 FORECAST	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
Number of passenger injury incidents (per million boardings)	4.8	4.7	4.7	4.6	4.6
Passenger trips (000s)	51,585	50,700*	52,360	52,917	53,758
Transit service hours (000s)	2,170	2,169*	2,248	2,285	2,329
Customer satisfaction (on a scale of 1 to 5)	3.66	3.63	3.65	3.67	3.67

*The 2012/13 forecast for both measures are less than the targets identified in the 2011/12 Service Plan as a result of lower than anticipated demand from local partners for service expansion hours and impact of job action in the Victoria Regional Transit System.

Importance of measures

Number of passenger injury incidents per million boardings measures passenger safety. Maintaining and improving safety is of primary importance in BC Transit's mission and values. It is also fundamental to transit's image and the ability to track new users. A safe trip from start to finish is a fundamental commitment to both employees and customers. Improvement in this measure is a result of BC Transit's enhanced provincial Safety and Security Management System and other safety initiatives.

Passenger trips reports riders who have made a one-way trip using transit. It is the primary measure of provincial use of transit services and demonstrates that fare levels and products, as well as service, continue to meet customer needs. It also tracks BC Transit's progress in meeting *Provincial Transit Plan* intent. It is expected that passenger trips will continue to trend upwards.

Transit service hours measures the ability of BC Transit and local government to provide responsive service across the province. It is also an indicator of operational efficiency as some input costs, such as fuel, are increasing faster than the rate of revenue growth. Targets are based on anticipated continued growth, and have been developed based on consultation with provincial and local government partners with regard to expansion demand and funding availability.

Customer satisfaction measures the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent"). This measure tracks the effectiveness of BC Transit in meeting customer expectations. Targets shown reflect the challenge of meeting high passenger demand with less capacity to fund new service.

GOAL 5: STRENGTHEN OUR ACCOUNTABILITY, PEOPLE AND PARTNERSHIPS

The success of BC Transit depends on creating an adaptable, socially responsible organization that lives its values, develops its existing employees and partnerships, and attracts new people and opportunities. This means actively working to improve how employees are attracted and developed, encouraging a culture of innovation and accountability, monitoring environmental, social and economic impacts, and strengthening relationships with local government and other partners.

STRATEGIES	MEASURES
The strategic intent is to be a responsive, accountable organization by: • Increasing environmental accountability. • Becoming an adaptable workplace of choice. • Enhancing existing partnerships and developing new ones.	• Carbon intensity per service hour • Employee engagement • Partnership satisfaction

	2011/12 ACTUAL	2012/13 FORECAST	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
Carbon intensity per service hour	28.64	28.72	28.68	28.63	28.63
Employee engagement	54%	55%	56%	57%	60%
Partnership satisfaction (on a scale of 1 to 5)	3.22	3.06	3.12	3.18	3.25

Importance of measures

Carbon intensity per service hour measures the ability of BC Transit to reduce its direct Greenhouse Gas Emissions (GHG) and supports the *Provincial Transit Plan* goal to reduce GHG emissions by 4.7 million tonnes by 2020. Carbon intensity is calculated using the Provincial Government's SMARTTool methodology and is measured by calculating the total emissions of BC Transit's fleet, facilities and paper usage in carbon dioxide equivalent tonnes. The slight decrease is a result of the declining carbon intensity of diesel fuel under the amended *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Regulation) Act* effective 2013.

Employee engagement measures an employee's involvement with, commitment to, and satisfaction with work. Engagement is assessed through a survey that models what aspects of the workplace influence employee engagement characteristics. Continued improvements are expected as a result of the implementation of the new Human Resources Action Plan.

Partnership satisfaction measures the average rating of local government transit partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent"). This reflects efforts by BC Transit to improve service delivery as well as engage more extensively with partners in identifying and developing solutions to local transit needs. Improvements in this target are expected as BC Transit implements specific recommendations identified in the Report from the Independent Review Panel.

Performance Management System

The following outlines the sources of information used for the various measures reported in the Performance Measurement Framework.

MEASURE	SOURCE
Goal 1: Develop financial sustainability	
Operating cost recovery	BC Transit financial system. Financial statements are audited by the Auditor General of British Columbia
Operating cost per revenue passenger	BC Transit financial system. Financial statements are audited by the Auditor General of British Columbia
Goal 2: Support and shape livable communities	
Passengers per capita	Ridership information through internal tracking data. Population is based on the defined service area and uses Census Canada information updated by the latest BC Statistics data
Transit Futures plans completed	Internal tracking data
Goal 3: Change the perception of transit	
Level of perceived transit service improvement	Annual customer tracking survey, conducted by a third party research firm
Brand recognition	Annual customer tracking survey, conducted by a third party research firm
Level of perceived importance of transit	Annual customer tracking survey, conducted by a third party research firm
Goal 4: Deliver operational excellence	
Number of passenger injury incidents per million boardings	Internal tracking data
Passenger trips	Internal tracking data
Transit service hours	Internal tracking data
Customer satisfaction	Annual customer tracking survey, conducted by a third party research firm
Goal 5: Strengthen our accountability, people and partnerships	
Carbon intensity per service hour	SMARTTool data and internal tracking data
Employee engagement	BC Stats (BC Transit employee survey)
Partnership satisfaction	CivicInfoBC Transit Survey

The integrity and reliability of BC Transit's performance monitoring data are assured through a number of processes:

- Financial operating and capital actual expenditures are reviewed monthly, quarterly and annually by internal finance and source department staff. The financial statements are audited annually by the Auditor General of British Columbia.
- Revenue and ridership statistics are reviewed monthly, quarterly and annually by internal staff, with ridership statistics reconciled against passenger revenue data to ensure accuracy. Revenue results are also reviewed as part of BC Transit's annual financial statement audit by the Auditor General of British Columbia.

- Transit Service Hours, Number of Passenger Injury Incidents and base data used to calculate Carbon Intensity are supplied monthly by contracted and internal operations staff and reviewed monthly, quarterly and annually by BC Transit staff. BC Transit self certifies its Greenhouse Gas emissions following the Public Service Organization Self-Certification Emissions Checklist and this is subject to periodic audit by the Province.
- Transit Future Plan statistics are collected and maintained by internal staff with trends compared by community and annually to review anomalies and ensure accuracy.
- All remaining statistics collected by third parties—such as those from Stats Canada, BC Stats, CivicInfoBC and third party research firms—are reviewed annually by BC Transit staff in order to analyze trends and investigate apparent anomalies.

Benchmarking

BC Transit benchmarks its performance against transit statistics collected and published by the Canadian Urban Transit Association (CUTA). The selected performance ratios gauge and compare overall service effectiveness and efficiency and are the statistics most universally used by the North American transit industry to track achievement of strategic goals.

To ensure that transit system comparisons are most relevant and accurate, BC Transit divides its systems for benchmarking based on population size and service type. The divisions and statistics used for each are as follows:

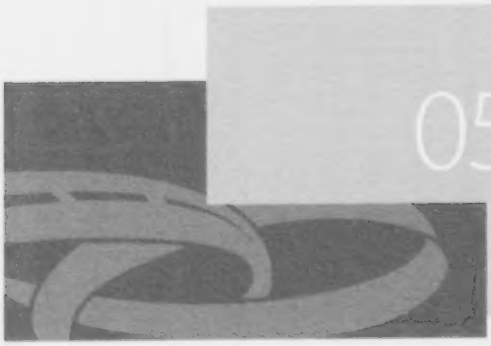
Conventional Transit Service – Victoria Regional Transit System conventional service performance is compared with CUTA urban transit systems of a similar size. In the case of Regional Transit Systems outside Greater Victoria, service in the six largest systems is averaged and compared with systems of a similar size in CUTA. Measures used include:

- Passengers per capita
- Passengers per hour
- Operating cost per hour
- Operating cost per passenger

Custom Transit Service – Victoria Regional Transit System custom service performance is compared with CUTA specialized transit systems of a similar size. In the case of Regional Transit Systems, custom transit performance in the eight largest systems is averaged to compare with similarly-sized CUTA specialized transit systems. Measures used include:

- Operating cost per van hour
- Van passengers per hour

In the case of custom transit statistics, "van" is used to denote those hours of service and passengers carried by custom transit vehicles only. For reasons of comparative consistency it therefore excludes the passengers that BC Transit carries through other means, such as through partnerships with taxi companies and regional transportation providers.



05 Government's Letter of Expectations

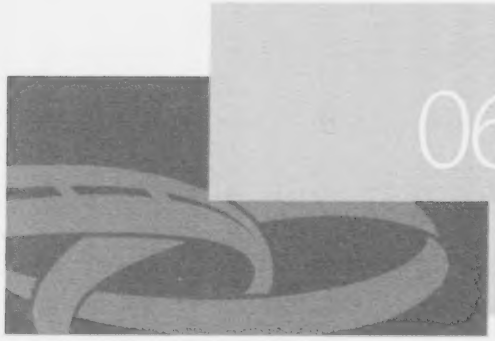
The *Government's Letter of Expectations* is a fundamental component of BC Transit's governance framework as it outlines the government's priorities for BC Transit and the public benefits that flow out of implementing these priorities. The following table summarizes the actions taken on these priorities and the status of these initiatives.

The complete BC Transit *Government's Letter of Expectations* can be found on the BC Transit website[5].

SPECIFIC DIRECTION TO THE CORPORATION	PLANNED BC TRANSIT ACTION
Align actions and activities that assist the Ministry of Transportation and Infrastructure to achieve the goals and objectives of the *Provincial Transit Plan*, subject to fiscal funding allocations and local government affordability	• BC Transit's strategic plan, *Shaping our Future*, was developed following the release of the *Provincial Transit Plan* with the intent of setting out a long-term framework for achieving the goals of the transit plan; the strategy guides the creation of the business plan and service plan • Performance measures in the 2013/14 - 2015/16 Service Plan balance the goals of the *Provincial Transit Plan*, including expanding ridership, sustainable communities and alternative modes of transportation, and GHG reductions, with the ability of local governments to fund these initiatives

5 http://www.bctransit.com/corporate/general_info/annual_reports.cfm

SPECIFIC DIRECTION TO THE CORPORATION	PLANNED BC TRANSIT ACTION
Develop and share with the Ministry a three-year annual operating budget and a ten-year capital budget by August 2013 and to finalize budgets by November 30, 2013 , work with the Ministry to ensure that financial targets be achieved and reporting requirements are met as identified in the Ministry's budget letter to BCT and the Ministry-BCT contribution agreements, and accurately report quarterly forecasts and have balanced budgets in each year (i.e. ensure annual expenses do not exceed annual revenues)	• BC Transit's annual budget cycle allows for the development and submission of three year operating budgets and ten year capital budgets within the required timeframes • Provide quarterly financial forecasts to the Ministry as instructed in both the Ministry's budget letter and capital contribution agreements with BC Transit, and advise of any anticipated surpluses or deficits immediately • Hold quarterly meetings with the Ministry, and brief Treasury Board staff when applicable. These processes ensure BC Transit's direction is aligned with evolving provincial fiscal priorities
Develop performance measures and targets that align with, and aid in the achievement of, the goals and strategies documented in the 2013/14 Service Plan	• BC Transit revised its Service Plan in 2012/13 to better align performance measures and targets with the goals of the Ministry. The 2013/14 - 2015/16 Service Plan reflects these changes and key performance metrics indicate continued progress on most goals
Work with the Ministry to develop performance expectations with regard to the above noted goals, objectives, strategies policies Implement the strategic policy priorities of government, including direction related to the 2012 BC Transit Independent Review	• BC Transit welcomed the findings from the Independent Review Panel and is committed to working with its partners • BC Transit will hold quarterly briefings with Ministry staff to review progress against the recommendations from the report. Provide regular updates to BC Transit Board of Directors • When not limited by legislative restrictions, act immediately to implement recommendations where BC Transit has been identified as the "lead". In many cases, such as the development of a strategic communications plan and performance reporting templates, recommendations have already been addressed or are underway



06 Summary Financial Outlook

Assumptions, Risk Factors and Sensitivities

Significant risks and inflationary factors associated with the projection for the Service Plan period include:

- This Service Plan is based on a multi-year projection of operating and capital funding. However, both the local and provincial funding partners confirm budgets annually. Consequently, funding levels are committed only one year at a time. Subsequent years' funding will be impacted by prevailing economic conditions.
- Ongoing economic uncertainty can impact transit programs. Ridership may decline as overall travel usually decreases in a slower economy. By virtue of the legislated funding formula, local governments partly fund transit system expenditures with passenger revenues. Accordingly, local governments absorb the risk of revenue shortfalls that may occur.
- Over the next five years, 45 per cent of the fleet is due for replacement and additional buses, exchanges and facilities are required to allow for anticipated service expansion. The funding requirements for capital infrastructure investment will continue to put pressure on provincial and local governments.
- Over the next three years, operating contracts in 16 regional transit systems will be expiring. Recent competitive bid processes have seen limited competition from the market and higher contracted costs. In order to provide more certainty to both local partners and operating companies, new contracts will be structured over longer periods, with fixed cost provisions. Enhanced key performance indicators will also be used to ensure operating company success against specific targets.

- BC Transit administers three collective agreements. Unionized employees are represented by Canadian Autoworkers (CAW), Canadian Office & Professionals Employee's (COPE), and the Canadian Union of Public Employees (CUPE). Furthermore, BC Transit relies on third parties – such as transit management companies – some of whose workforces are also unionized. If those workers engage in strike or other work stoppages, operations of BC Transit systems could be disrupted; however, at the time of the Service Plan development, BC Transit had reached an agreement with CAW, significantly decreasing the risk of job action in the Victoria Regional Transit System.
- Additional employees will be required by contract operators delivering transit service in the remainder of the province to meet expected retirements and expansion. This issue is especially apparent in northern communities where attracting skilled maintenance personnel is becoming increasingly challenging. Loss of or failure to attract and retain key personnel may adversely affect the ability to deliver transit service.
- Diesel fuel price volatility remains a significant financial risk. BC Transit mitigates this risk by utilizing a fuel risk management program. This program includes entering into targeted fixed price supply agreements and identifying other initiatives that result in cost savings to market, such as large volume bulk purchases. Additionally, BC Transit will be introducing a trial fleet of compressed natural gas (CNG) heavy duty buses as part of its vehicle replacement program. Natural gas cost less than diesel and historically experiences less price volatility.
- Fleet maintenance costs continue to increase. These costs include repairs, major component overhauls and mid-life tune-ups that are largely attributable to the age of the fleet, increasing costs of parts and the technological complexity of newer vehicles. As most parts originate from American or European suppliers, foreign exchange rates also contribute to maintenance cost fluctuations. To mitigate maintenance cost volatility, BC Transit utilizes a scheduled preventative maintenance program that minimizes major unplanned or reactive repairs. Major capital maintenance expenditures are capitalized and amortized over their estimated useful lives to reduce the financial impact on funding partners.
- Economic downturns can also reduce transit ridership as overall travel usually decreases in a slower economy. BC Transit will be working closely with its local partners to monitor transit system performance. Prudent financial management practices will be used to control costs and ensure performance is maintained in the top quarter of transit properties.

Table 1 presents the financial risk to BC Transit from a one per cent change in the cost of selected factors. For example, a one per cent increase in fuel prices above budgeted levels will increase BC Transit costs by $327,000 per year.

BC Transit's financial forecast for the Service Plan period is summarized in Table 2.

Table 1

BC Transit 2013/14 Risk Factors and Sensitivities Corporate Summary

RISK FACTOR (1% CHANGE)	FINANCIAL RISK	PROVINCIAL SHARE*	LOCAL SHARE
Ridership	$694,000	–	$694,000
Labour			
Collective agreements	$538,000	$171,000	$367,000
Non-unionized staff	$102,000	$32,000	$70,000
Currency exchange	$488,000	$200,000	$288,000
Fuel	$327,000	$134,000	$193,000
Interest rates (new issues)	$376,000	–	$376,000
Maintenance parts pricing	$170,000	$70,000	$100,000
Property maintenance and lease	$94,000	$39,000	$55,000
Insurance	$50,000	$22,000	$30,000

* Provincial Share of total risk varies by type and location of service.

Table 2

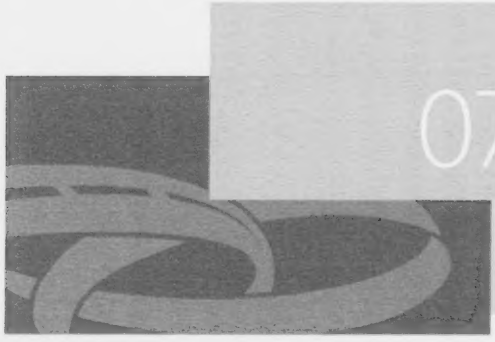
BC Transit 2013/14 – 2015/16 Forecast[1]

(figures in thousands)	2013/14 Plan	2014/15 Plan	2015/16 Plan
INCOME STATEMENT			
Revenue			
Operating contributions from the Province	101,761	106,894	113,235
Amortization of Deferred Capital Contribution (DCC)[2]	48,164	50,084	43,710
Amortization of contributed surplus and other capital grants	1,907	2,670	2,916
Local taxation	90,823	99,293	111,047
Passenger and advertising revenue	69,877	70,625	71,793
Investment and other earnings	4,329	4,886	4,905
Total Revenues	**316,861**	**334,452**	**347,606**
Expenditures			
Operating costs			
Operations	161,457	169,944	181,319
Maintenance	46,346	48,505	51,174
Administration	23,164	23,739	24,833
Total Operating Costs	230,967	242,188	257,326
Capital asset amortization expense[2]	74,343	79,166	75,873
Debt service costs	11,551	13,098	14,407
Total Expenditures	**316,861**	**334,452**	**347,606**
NET INCOME (LOSS)	**0**	**0**	**0**
CAPITAL EXPENDITURES	**151,595**	**118,122**	**123,337**
LONG TERM DEPT			
Debt	270,048	291,132	311,218
Sinking Funds	99,265	108,408	113,137
Net Debt	**170,783**	**182,724**	**198,081**
NET ASSETS	**59,672**	**59,242**	**58,812**

[1] *This accounting treatment is consistent with the basis of accounting in BC Transit's audited financial statements.*

[2] *For purposes of this Service Plan, amortization of Contributed Surplus is disclosed as Revenue. Accepted financial statement disclosure records amortization of Contributed Surplus as a recovery from Net Assets. Retrospective amortization on the change in accounting policy is not included for Service Plan purposes.*

WELC
Oak Bay
Padloom



07 Capital Plan and Major Capital Projects

To achieve the objectives of the *Provincial Transit Plan* and Provincial Government expectations, infrastructure investment is required. Over the next five years, 45 per cent of the fleet will have met the end of useful life and require replacement. Furthermore, additional buses, exchanges, Park and Rides, and maintenance facilities are necessary to facilitate service expansion. Technical infrastructure investment in fleet management, financial systems, information, security systems and transit priority are also required to meet provincial and local government service objectives.

The increased expenditures in 2013/2014 are largely a result of the implementation of the next phase of the Kelowna RapidBus project, and costs associated with the acquisition of the new CNG bus fleet.

BC Transit's capital plan is summarized in Table 3 below. BC Transit does not anticipate any capital projects over $50 million during this service period.

Table 3

BC Transit Capital Plan

(figures in thousands)	2013/14	2014/15	2015/16	Total
Province-Capital Grants	$ 58,474	$ 32,883	$ 32,722	$ 124,079
Municipalities (FAL)	$ 43,260	$ 40,359	$ 45,681	$ 129,300
Other	$ 17,078	$ 2,612	$ 133	$ 19,823
Subtotal BCT Managed Capital Plan	**$ 118,812**	**$ 75,854**	**$ 78,536**	**$ 273,202**
Vancouver Assets	$ 32,783	$ 42,268	$ 44,801	$ 119,852
Total Capital Plan	**$ 151,595**	**$ 118,122**	**$ 123,337**	**$ 393,054**

Contact information

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BC Transit's Corporate Service Plans, Annual Reports and Financial Reports are available on the BC Transit website at www.bctransit.com.